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APR 1963

PROCUREMENT DIVISION MEMORANDUM NO. 16

SUBJECT: Evaluation of Transportation Costs in Awarding Contracts

1. This memorandum establishes policy and procedures for the obtaining and evaluation of transportation costs in awarding certain contracts to commercial sources.

2. a. These procedures apply only to a proposed procurement involving the transportation of materiel in bulk when it is estimated that there will be one or more shipments each of 20,000 pounds or more to any single destination.

b. In view of the fact that requisitions do not furnish information concerning weight of the items, it will be necessary for the procuring officer to use his best judgment and such information as is available to him in catalogues, etc., in determining whether a specific requisition (or individual line items included therein) fall within 2.a. above.

3. When a determination is made that a requisition falls under paragraph 2.a., the proposal will solicit bids both f.o.b. carrier at contractor's plant and f.o.b. destination. If the destination is not firm at time of request the procedure set forth in ASPR 1-1305.5 shall be followed. The request should state that the award will be made on the basis of the lowest over-all cost to the Government.

4. In order to implement the foregoing, the provisions of ASPR 1-1305.1 should be incorporated in the request for bids and the pertinent portions in the resulting contract.

5. a. When the required data is received with the bid, the procurement officer will furnish the gross weight, nomenclature, point of origin, destination, and required delivery date to Transportation Division informally in writing. Transportation Division will advise Procurement Division in writing of the cost of making the shipment, the routing, and the estimated transit time. From this data Procurement Division will determine the most economical method of shipment after taking into account the required delivery date. If the required delivery date will not allow shipment by the most economical method, the procurement officer will reaffirm the requirement for the delivery date and coordinate with the Transportation Division

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to determine the method and/or route of transportation accordingly. In those cases where the most economical transportation cannot be utilized, the record will contain the reason.

b. When the requisition covers an item on a Federal Schedule of Supply or on any other type of previously negotiated "open end" contract and that contract provides for delivery f.o.b. contractor's point of origin, the procurement officer will submit the necessary information to the Transportation Division informally in writing for its determination of the method and route of shipment, taking into account the time in which delivery is required and any security factors which may be present. This applies only when we place an order directly with the contractor and not when placed through another Government agency.

c. The Transportation Division will attempt to make the determinations within one working day and rarely require more than a three working day maximum.

6. When the gross weight of the order exceeds 20,000 lbs. but the delivery schedule proposed by the contractor will result in individual shipments amounting to less than 20,000 lbs. each, the contract negotiator should determine from the requisitioner whether delivery may be delayed until an economical quantity shipment can be made. If this delay is not acceptable, then the order should be placed on an f.o.b. destination basis.

8. All of the foregoing is subject to the requirement that it can be implemented within the security requirements of any given case.

9. a. A report of actions taken in compliance with this memorandum shall be included in the monthly narrative report beginning with April. This shall state the number of actions in which this procedure was utilized in requesting bids, the number of cases (identified by purchase of contract number) in which it was implemented in the award, the dollar saving realized on each case or, if no saving resulted, a statement to that effect. Negative reports are required.

b. It is recognized that the amount of saving cannot be calculated under 5.b. above but other factors of such cases should be included in the report.

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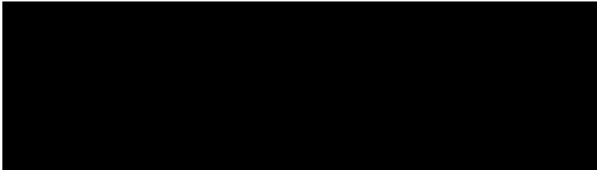
10. This paragraph applies equally to shipments of all sizes whether greater or lesser than 20,000 lbs. When a contractor is instructed to make shipment, prepay charges and claim reimbursement therefor, the purchase document or other shipping instruction will include the phrase that the shipment is to be made "by the most economical method and routing, unless otherwise directed." This will be included in preprinted forms when appropriate and the present stock of forms will be amended in the most convenient manner to comply with the foregoing.

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Chief, Procurement Division/OL

CONCUR:

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for Chief, Transportation Division/OL

4/15/63
Date

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